



# **BUSINESS STRATEGY FORMULATION IN THE ERA OF THE COVID-19 PANDEMIC THREAT THROUGH THE SWOT CORRELATIVE INTERPRETATION AND QSPM APPROACH IN SMEs BASED ON LOCAL WISDOM**

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## **Abstract**

*The purpose of the research is to formulate the business strategy of SMEs Weaving Craft based on local wisdom by adapting to the environmental changes due to the COVID-19 pandemic. This research is a descriptive study based on qualitative data. Data were obtained through in-depth interviews with 10 informants. Furthermore, the data from the informants were confirmed to 54 respondents who owned SMEs. SWOT Correlative Interpretation and Quantitative Strategic Planning Matrix (QSPM) approach were used to data analysis. Alternative business strategies will be generated in order according to the priority scale by QSPM approach. The findings of this study, at the input and matching stage through IFE, EFE, SWOT Correlative Interpretation and IE Matrix analysis shows that SMEs still have the potential to grow. Through the IE, position of the SMEs in sel hold and maintain, and the opportunities that exist for SMEs*

*are potential and threats are real. At the decision stage through the SWOT Matrix and QSPM can be formulated 11 alternative business strategies for SMEs, derived from market penetration, product development and market development strategy. The conclusion of the study, that the Correlative Interpretation SWOT approach, is an approach that can reduce the weakness of conventional SWOT conclusions. QSPM complements conventional SWOT studies that produce business strategies based on priorities*

*Keywords: Business Strategy, SWOT Correlative Interpretation Analysis, QSPM, SMEs Base on Local Wisdom*

## **INTRODUCTION**

There has been a drastic decline in economic activity due to the Covid-19 pandemic worldwide. There was a minus growth resulting in an increase in unemployment and poverty rates which was very worrying. During the Covid-19 pandemic, Indonesia's economic growth was minus 5.32% in the second quarter of 2020. For comparison, Thailand in the second quarter of 2020 experienced minus 12% economic growth, Singapore minus 13.2% in the second quarter of 2020.

In Bali, there are 326,000 SMEs, about 70% of which are related to the tourism sector. SMEs make a significant contribution to Bali's economy. The decline in SME activities dealt a heavy blow to Bali's economy. Various policies have been carried out by the government to support SMEs, including tax relaxation, ease of regulation, capital assistance, improving the quality of human resources, technology assistance and marketing promotions. Policies to provide assistance to SMEs tend to be sudden, without a good review, there is a high risk of failure.

Not every company is ready to tackle difficult conditions like this. Only companies that are supported by adequate infrastructure, efficient and effective systems as well as good management control, are able to grow again. Therefore, companies are required to evaluate the design and re-plan the current system in order to be able to adapt to the current environmental changes.

### **Endek Weaving Craft Sector As Local Wisdom Industry And Business Strategy Approach**

One of the handicraft sectors based on local wisdom that has bright prospects in the future is Endek Bali Weaving. Since the Covid-19 pandemic there has been a very drastic decline in activities, where currently there are less than 100 weaving businesses operating. Bali

endek Craft SMEs are related to and dependent on the tourism sector. The decline in tourism sector activity automatically has an impact on the SME sector of Bali Endek Weaving.

The Covid-19 pandemic is a serious challenge for the entire system of human life. In the economic field, the orientation of production, consumption and distribution activities tends to prioritize health protocols. Thus there is a change in people's behavior as consumers in meeting their needs to adapt to the situation created by the Covid-19 pandemic. Changes in consumer behavior will affect business behavior and changes in business behavior will affect production, distribution and consumption processes. To support government policies for the recovery of SMEs, this study aims to reformulate the SME business strategy, by adapting changes in consumer behavior and business aspects in terms of production, distribution and interaction strategies with various stakeholders. An effective and efficient business strategy when able to adapt to existing changes. Change management has become very important, generating the business solutions needed to be more successful in a more organized way through the method of managing the impact of change on those within it.

According to Lin, Y.C., et al, (2015), the phenomenon of organizational change has received many labels: radical change, strategic change, revolutionary change, strategic renewal, and bending of the organizational framework. Despite this diversity, the literature distinguishes two types of change: convergent change and structural change. Convergent change is a process of change that occurs in a relatively stable structure. An example of convergent change is an organization that increases its efficiency and effectiveness without rethinking its business model or key processes. The confusion stems from the fact that, from an evolutionist point of view, radical change is ultimately a series of incremental changes, whereas convergent change is always incremental.

Orlikowski (1996) outlines that stability is not a desirable state of contemporary organizations, since it must be flexible and adapt to ongoing changes. Change is no longer a background, but a way of life of the organization. Organizational change in this case cannot always be planned or managed. The change is seen as an ongoing process rather than a predetermined course of action with precise start and end milestones. The view of organizational change that rests on change is based on the assumption of action, not stability. Organizational change is seen as continuous improvisation by organizational actors to understand and act coherently.

Understanding the business environment is at the core of the strategic planning process (Phadermrod, B. et al., 2017). Among the most important tools to facilitate such understanding is through a SWOT analysis (Hill & Westbrook, 1997; Ying, 2010). SWOT analysis helps organizations to gain better insight into the internal and external business environment when

making strategic plans and decisions by analyzing and positioning the organization's resources and environment in four areas: Strengths, Weaknesses, Opportunities and Threats.

SWOT analysis is recognized as having weaknesses, namely the interpretation of conventional SWOT analysis tends to study business strengths and weaknesses with dichotomous analysis (Vlados, C., 2019). Conventional SWOT analysis generally conceptualizes, implicitly, opportunities and threats from the external environment and has the same impact on all socioeconomic actors, without exception. However, using the SWOT correlative interpretation analysis can understand that opportunities and threats are always "potential", depending on the organization's strategic capabilities for comparative strengths and weaknesses.

Besides the shortcomings of the SWOT analysis as described earlier, the SWOT analysis also cannot determine the priorities of the formulated alternative strategies. The Quantitative Strategic Planning Matrix (QSPM) is a strategic management tool used in evaluating strategic options and determining the relative attractiveness of strategies. The QSPM technique determines which selected strategic options are feasible, and actually prioritizes these strategies.

### **Research Problem Formulation**

Based on the above background, a research problem can be formulated, how to reformulate SMEs business strategies based on local wisdom through the Correlative Interpretation SWOT approach and Quantitative Strategic Planning Matrix (QSPM) in facing the challenges of the Covid-19 Pandemic.

### **Research Objectives**

The purpose of the study was to develop a local wisdom-based SMEs business strategy model including planning the production, distribution, and customer service processes by adapting changes in consumer and stakeholder behavior due to the Covid-19 pandemic with the SWOT Correlative Interpretation and the QSPM approach.

## **LITERATURE REVIEW**

### **Business strategy**

Richard L. Daft (2010:249) defines strategy explicitly, which is an action plan that explains the allocation of resources and various activities to deal with the environment, gain competitive advantage, and achieve company goals. Competitive advantage distinguishes a company from other companies and provides a distinctive feature for the company to meet the

needs of the consumer market. The essence of strategy formulation is to determine how a company differs from other companies. Fred R. David (2011) defines strategy as a tool to achieve long-term goals. Strategy is a potential action that requires top-level management decisions and other company resources. Strategy has multifunctional and multidimensional consequences and needs to consider external and internal factors faced by the company.

### **SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats)**

Michael Porter (1998) states clearly, the need for a clear strategy is increasingly pressing, because a company without a clear vision will not be able to be unique and different, by offering something different from its competitors. Therefore, companies must find ways to be creative and increase profits and not just ways to limit losses.

SWOT analysis is one of many analytical tools that can be used in an organization's strategic planning process. Other analytical tools commonly used for strategy analysis are PEST, (political), (economic), (social), and (technology), five forces analysis, and 3C analysis (Company–Customer–Competitor) (Akiyoshi & Komoda, 2005) . The main advantage of SWOT analysis is its simplicity resulting from its continued use in leading companies and academic communities (Ghazinoory, Abdi, & Azadegan-Mehr, 2011). Despite its advantages, there are disadvantages to the traditional SWOT approach: it produces a shallow and imprecise list of factors, relies on subjective perceptions of organizational staff attending the brainstorming session and does not have priority factors regarding the importance of each SWOT factor.

SWOT analysis is considered a traditional approach and has received a lot of criticism, but SWOT analysis is still used today since its introduction in the 1960s. The criticism of SWOT analysis is that in practice SWOT analysis cannot offer efficient results and can sometimes lead to wrong business decisions (Coman & Ronen, 2009; Wilson & Gilligan, 2005). This is because the traditional approach of SWOT analysis is based on qualitative analysis where the SWOT factors tend to have a subjective view of the manager's or planner's judgment. In addition, the SWOT factor in each region cannot be measured or ranked based on its significance to organizational performance.

The researcher suggests that the triangulation approach can be applied to minimize the level of subjectivity of views in perceptual qualitative research. According to Moleong (2018: 330), triangulation is a technique of checking the validity of data that utilizes other methods or parties to check or as a comparison against the data. Perceptions of individuals or groups of respondents are confirmed with the perceptions of other individuals or groups to find relatively similar perceptions.

Despite criticisms of the SWOT approach, surveys based on answers provided by Chief Executive Officers of various UK organizations show that SWOT analysis is the most widely used strategic tool by UK organizations (Gunn & Williams, 2007). Recently, a survey of the analytical methods used by companies in South Africa for environmental scanning also showed that SWOT analysis is still the most frequently used analysis. According to Bilung (2016:119), SWOT analysis allows companies to identify factors that influence both positively and negatively from within and from outside the company.

The main steps of the SWOT approach can be summarized as follows (Phadermrod, B., et al., 2017). First, a SWOT analysis was conducted through a brainstorming session to identify the SWOT factors in each group. Then, the relative importance of the SWOT factors was determined through pairwise comparisons within and between SWOT groups. Finally, the importance of the SWOT factor is calculated based on the comparison matrix.

### **Correlative Interpretation SWOT**

According to Charis Vlado (2019) the conventional interpretation of SWOT analysis tends to study the strengths and weaknesses of a business with an analytical dichotomy. Conventional SWOT analysis conceptualizes in general implicitly opportunities and threats from the external environment have the same impact on all socio-economic actors, without exception. In this view of the SWOT analysis, assumes that changes in the external environment only give rise to "potential" opportunities as well as general threats.

By using a correlative interpretation of SWOT analysis, we understand that the opportunities and threats are always "potential," depending on the organization's strategic capability to exercise its comparative strengths and weaknesses.

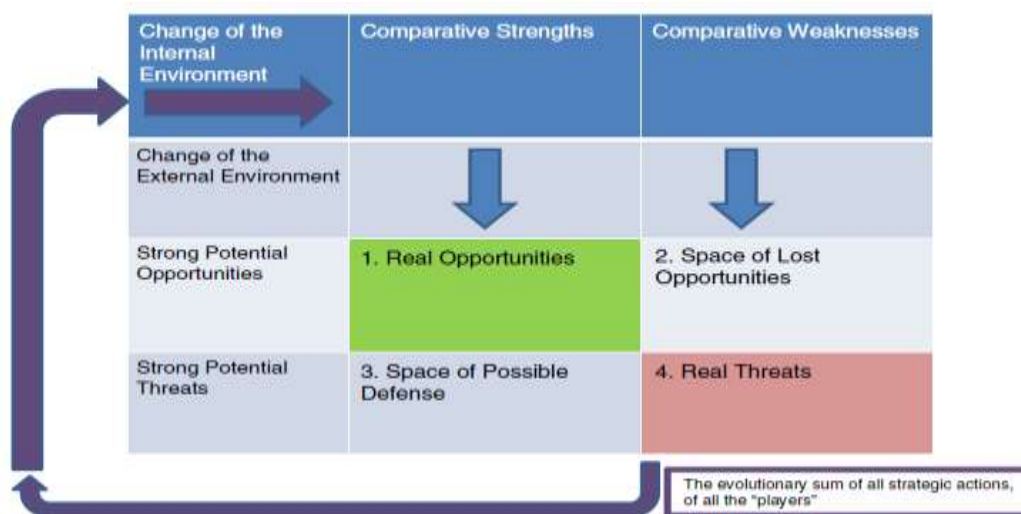
The above statement acknowledges that the impact of the company's external factors can be correlated with the company's internal factors. The level of correlation between internal and external factors, is able to explain whether the company's external factors, namely opportunities and threats, are really threats and opportunities that are exclusive or inclusive. If the correlation between external and internal factors is high, then the nature of opportunities and or threats is exclusive and vice versa.

The difference in the level of this correlation will affect the formulation of business strategy. Correlative interpretation of SWOT will overcome the practice of dichotomy between external factors and internal organizational factors. The correlative interpretation of SWOT while addressing concerns Popescu and Scarlat (2015, p. 469) suggest that the SWOT analysis represents a very oversimplified view. It provides a separate understanding of the internal strengths and weaknesses and the external opportunities and threats of an organization's

business, but does not show us how external and internal factors relate to each other and what to do about them."

Charis Vladoš (2019) relates changes in the internal and external environment of organizations where potential opportunities and threats emerge from changes in the external business environment. The same applies to changes in the internal environment, integrating all significant comparative strengths and business weaknesses (Figure 1).

Figure 1 Evolutionary and Correlative Conception of SWOT Analysis



Source: (Charis Vladoš , 2019)

Based on the thoughts in figure 1, this research will look at the correlation between strengths and opportunities; between strengths and threats, between weaknesses and opportunities and between weaknesses and threats. If the correlation between strengths and opportunities is significant, it can be concluded that the opportunities are real, not just potential opportunities. If the correlation between strength and opportunity is not significant then the opportunity is not real but only potential. The correlation between strength and threat will form a space for the possibility of survival. If the correlation between strength and threat is significant then the threat is real for the organization. On the other hand, if the correlation between strength and threat is not significant, then the threat is only potential. The correlation between weaknesses and opportunities will form a space for missing opportunities. If the correlation between weaknesses and opportunities is significant then the opportunity is real. Conversely, if the correlation between weaknesses and opportunities is not significant then the opportunity is only potential. The correlation between weaknesses and threats will form a real threat if the correlation is significant. If the correlation between weaknesses and threats is not significant

then the threats are not real but only potential. However, using the correlative interpretation of SWOT analysis, it can be understood that opportunities and threats are always "potential", depending on the strategic capabilities of the organization for comparative strengths and weaknesses as in (Table 1)

Table 1 Correlative Interpretation of SWOT

Change of the Internal Environment	Comparative Strengths	Comparative Weaknesses
Change of the External Environment	⇓	⇓
Strong Potential Opportunities	<ol style="list-style-type: none"> <li>1. Real Opportunities (correlation signifikan)</li> <li>2. Potential Opportunity (correlation non significant)</li> </ol>	<ol style="list-style-type: none"> <li>1. Space of Lost Opportunities (real) (correlation signifikan)</li> <li>2. Space of Lost Opportunities (Non signifikan) (potensial)</li> </ol>
Strong Potential Threats	<ol style="list-style-type: none"> <li>1. Space of Possible Defense: real threats, (correlation signifikan)</li> <li>2. Potential Threats (Non significant)</li> </ol>	<ol style="list-style-type: none"> <li>1. Real Threats (correlation signifikan positif)</li> <li>2. Potential Threats (correlation non significant)</li> </ol>

Source: (Charis Vladoş , 2019)

### QSPM Analysis

SWOT analysis is a qualitative analysis tool to generate alternative strategies by considering external and internal factors of the organization. Quantitative Strategic Planning Matrix (QSPM) is used to determine the priority of alternative strategies generated in the SWOT matrix (David, David, & David, 2009).

QSPM, is an analysis used to determine strategy based on the value of the internal and external matrix weights of the organization. With QSPM analysis, a series of strategies can be examined sequentially or simultaneously so as to produce a value from the total weighted score that is combined into various internal and external factors in the decision-making process.

### RESEARCH METHOD

This research is a descriptive study based on qualitative data using a SWOT analysis approach, by applying SWOT Correlative Interpretation and QSPM analysis. The research was conducted in the Province of Bali Indonesia, with the research subject are SMEs of Bali Endek Weaving. The object of research is the elements of the internal and external environment of SMEs, namely the strengths, weaknesses, opportunities and threats of Bali Endek Weaving Craft SMEs.

The unit of analysis is the Bali Endek Weaving Craft SMEs which are prioritized to have or are currently receiving guidance from the Bali Provincial Government. The number of Endek



Weaving Craft SMEs that are still operating is 54 SMEs with 1285 weavers. This study uses a saturated sample by examining 54 SMEs of Endek Weaving Craft in the Province of Bali.

Purposive sampling was used to determine respondents. Respondents were divided into two groups, namely (1) the primary respondent group, which is a group of informants who are considered to be able to provide information about the internal and external environmental attributes of Bali Endek Weaving Crafts SMEs. (2) the secondary respondent group is the manager or owner of the Bali Endek Weaving Craft SMEs who can provide an assessment (rating) based on the real situation regarding the external and internal problems of his business activity.

The number of informants is set at 10 people who are considered as experts, or experienced practitioners in the weaving business field, including the previously determined work partners. The sample of respondents from the secondary group was determined by 54 owners of Endek Weaving Craft SMEs. The total number of respondents is 64. Respondents from the secondary group working to confirm the perceptions of the informant group, aiming to reduce the subjectivity of the informant group. This approach also answers criticism from various parties regarding the element of subjectivity of organizational managers in formulating the company's business strategy.

Technical analysis was done using the SWOT approach, SWOT Correlative Interpretation and QSPM

## **RESULTS AND DISCUSSION**

### **Preparation of Weaving Craft SMEs Business Strategy.**

The formulation of the business strategy of the Endek Bali Weaving Craft SMEs in facing the challenges of Covid-19, using a theoretical approach to strategic management which is grouped by David, Fred R. (2001) into three important stages, namely: Input Stage, Matching Stage, and Decision Stage.

#### ***Input Stage***

This stage explores information and data to formulate strategies. This stage consists of the preparation of the IFE (Internal Factor Evaluation) and EFE (External Factor Evaluation) Matrix.

##### **a. IFE Matrix**

The IFE matrix summarizes the attributes of the internal environment consisting of the strengths and weaknesses of the Endek Bali Weaving Craft SMEs. In the IFE matrix, the data on the attributes of the internal environment can explain the level of interest in the business

according to the weight given by the informant to each attribute of the internal environment, describing the ideal situation during the Covid-19 pandemic. The IFE matrix also describes how far the strategy has adopted an ideal environment by giving a rating on each attribute of strengths and weaknesses by the respondent. The results of the calculation of the IFE Matrix can be shown in Table 2.

Table 2 IFE Matrix

No	Strengths	Bobot	Rating	Score
1	Endek products have a uniqueness based on local wisdom of Balinese culture.	0,078	3,530	0,274
2	Using traditional production tools so that it is easy to maintain and produce unique quality products.	0,062	3,190	0,198
3	Raw materials use domestically produced.	0,047	2,860	0,133
4	Grow and develop in tourism areas, so that they complement each other.	0,074	3,280	0,244
5	Competitive prices, because the product has a uniqueness.	0,073	3,310	0,241
6	The product is protected by the Ministry of Law and Human Rights of the Republic of Indonesia.	0,073	3,110	0,227
7	Active in exhibitions, as a promotional effort and has a wide network for the upper class	0,073	3,250	0,237
8	Weaving product is a unique traditional skill that is difficult for outsiders to imitate.	0,068	3,310	0,226
	Total			1,779
	Weaknesses			
1	Still using traditional production method so it is difficult to increase production quickly.	0,059	1,014	0,060
2	The quality of production is highly dependent on the quality of the raw material for yarn imported from Central Java.	0,057	2,560	0,146
3	Weavers are currently getting scarce because the regeneration of weavers is very slow.	0,073	1,001	0,073
4	Untrained workforce.	0,065	1,225	0,080
5	Prices are generally relatively expensive because endek are generally only for the upper middle class.	0,045	2,560	0,115
6	Cooperation with tourism companies as a means of promotion has not been intensively carried out	0,059	1,230	0,073
7	Craftsmen in general are not ready to do online marketing.	0,048	2,611	0,125
8	Low ability in business management.	0,047	2,562	0,120
	Total	1	Total	0,792
			IFE	2,571

Table 2 shows that the total score of the strength attribute of Bali Endek Weaving Crafts SMEs is 1.779, while the total score of the weakness attribute is 0.792. The difference in the total score of strengths and weaknesses is 0.987. The positive difference between the strength

and weakness scores indicates that the strength attributes can overcome the weakness attributes. The IFE score of 2.571 is greater than the weighted average of 2.5. According to David (2009), an IFE score greater than 2.5 indicates a strong business internally. This position also shows that the SMEs of Bali Endek Weaving Crafts internally allow them to grow again along with the ongoing Covid-19 pandemic.

#### b. EFE Matrix

In the EFE Matrix, each external environmental attribute is given a weight according to the level of importance in shaping the business strategy. Information and weights were provided by expert informants and experienced practitioners who described the ideal state of Bali Weaving Craft SMEs during the Covid-19 pandemic. In the EFE Matrix, are also identified how far the strategy of Bali Weaving Carft SMEs has adopted an ideal environmental by providing a rating by the Balinese Weaving Crafts SMEs actors on each both opportunities and threats.

Tabel 3 Matrix EFE

No	Opportunity	Bobot	Rating	Score
1	Getting attention from the Local Government.	0,077	3,060	0,235
2	There is a collaboration in promoting with the French Cristian Dior Fashion House	0,071	3,060	0,218
3	There is a Circular Letter of the Governor of Bali concerning the Use of Balinese Endek Woven Fabrics.	0,086	3,500	0,301
4	The distribution channel system is generally preferred by consumers directly so that service is better.	0,084	2,890	0,244
5	Advances in information technology allow marketing to reach a wider area.	0,092	3,530	0,324
6	Tourists like handicraft products based on Balinese culture.	0,088	3,420	0,301
	Total			1,623
	Threats			
1	The emergence of similar products	0,079	1,032	0,082
2	The difficulty of recruiting craftsmen to meet consumer demand quickly.	0,086	1,311	0,113
3	The economy has not yet recovered from the impact of the Covid-19 pandemic.	0,092	1,443	0,133
4	Tourism has not yet recovered, having an impact on sectors that are closely related to handicraft products.	0,088	1,471	0,129
5	There is unfair price competition	0,079	2,831	0,224
6	Lack of a special market for endek handicraft products in the region	0,079	2,922	0,231
	Total	1		0,912
			EFE	2,535

Table 3 shows that the total score of the opportunity attribute of Bali Weaving Craft SMEs is 1.623, while the total score of the threat attribute is 0.912. The difference in the total score of opportunities and threats is 0.711. The positive difference between opportunity and threat scores indicates that opportunity attributes can overcome threat attributes. The EFE score of 2.535 is greater than the weighted average of 2.5. According to David (2009), an EFE score that is greater than the weighted average of 2.5 indicates a strong business externally. This position also shows that the SMEs of Endek Bali's weaving crafts are externally possible to grow again along with the ongoing Covid-19 pandemic.

### Matching Stage

#### a. IE (Internal External) Matrix

The IE matrix shows the position of the Bali Weaving Craft SMEs in a matrix cell consisting of 9 cells. The IE matrix consists of two dimensions, namely the total score of the IFE matrix on the X axis and the EFE Matrix on the Y axis. This matrix is grouped into three main strategies, namely: (1) Growth and Build are in cells I, II or IV. Suitable strategies are intensive (market penetration, market development, and product development) or integration (backward integration, forward integration, and horizontal integration). (2) Hold and Maintain covers cell III, V, or cell VII. The general strategies used are market penetration, product development and market development. (3) Harvest and Divest includes cells VI, VIII, or IX. The strategy used is the divestment strategy, conglomerate diversification, and liquidation strategy.

Based on the IFE and EFE Matrix, it can be seen that the total score of IFE = 2,571 and EFE 2,535 . This score will be the coordinate between the horizontal axis and the vertical axis in the IE Matrix.

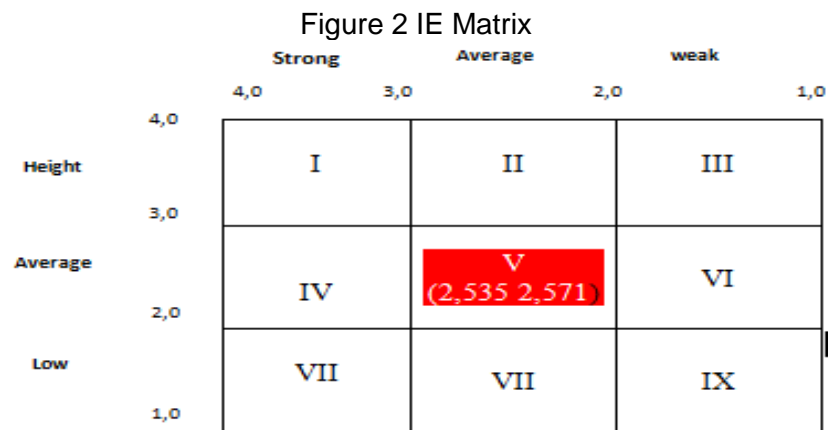


Figure 2 shows that the position of the Endek Bali Weaving Craft SMEs is in cell V, namely in Hold and Maintain. The suitable strategy is an intensive strategy, namely market penetration, market development, and product development.

Market penetration is a growth strategy in which a company concentrates on expanding market share for existing products in the current market. Market development is a growth strategy by attracting more new customers to existing products. Product development is a strategy carried out by companies in developing products, improving old products or increasing the use of products to existing market segments with the assumption that customers want new elements about the product (David, 2015).

#### b. Correlative Interpretation SWOT Analysis

To overcome the dichotomy in conventional SWOT analysis between the internal and external environment of the organization, the Correlative Interpretation SWOT approach can be used as a basis for explaining the correlation of elements of the internal and external environment, namely between strengths and weaknesses with opportunities and threats. This approach could see whether opportunities and threats are real or potential. The conclusion of this approach will provide information to formulate business strategy.

Table 4 shows the correlation between strength and opportunity where the correlation coefficient is not significant either at the 0.01 level or at the 0.05 level. These results provide an indication that there is no correlation between the variation of strength and variation of opportunity. Thus the opportunities that exist for SMEs are potential, where these opportunities tend to be general and available to all types of SMEs in the market.

Table 4 Correlations Strengths dan Opportunities

		Strengths	Opportunities
Strengths	Pearson Correlation	1	0,216
	Sig. (2-tailed)		0,203
	N	54	54
Opportunities	Pearson Correlation	0,216	1
	Sig. (2-tailed)	0,203	
	N	54	54

Table 5 shows the correlation between strength and threat is significant at the 0.01 level. These results indicate that there is a correlative relationship between strength and threat. Thus it can be said that the threat is real for SMEs based on local wisdom.

Table 5 Correlations Strengths dan Threats

		Strengths	Threats
Strengths	Pearson Correlation	1	0,508**
	Sig. (2-tailed)		0,001
	N	54	54
Threats	Pearson Correlation	0,508**	1
	Sig. (2-tailed)	0,001	
	N	54	54
** Correlation is significant at the 0.01 level (2-tailed).			

Table 6 shows that the correlation between weaknesses and opportunities is not significant. These results indicate that there is no relationship between the weaknesses and the opportunities in the market. This result also shows that there is no lost of opportunity due to the weakness factor.

Table 7 Correlations Weaknesses dan Opportunity

		Weaknesses	Opportunities
Weaknesses	Pearson Correlation	1	-0,246
	Sig. (2-tailed)		0,147
	N	54	54
Opportunities	Pearson Correlation	-0,246	1
	Sig. (2-tailed)	0,147	
	N	54	54

Table 7 shows that the correlation between weaknesses and threats is significant at the 0.05 level. This result shows that changes in the weaknesses of SMEs are related to the threats faced by SMEs.

Table 7 Correlations Weaknesses dan Threats

		Weaknesses	Threats
Weaknesses	Pearson Correlation	1	0,375*
	Sig. (2-tailed)		0,0240
	N	54	54
Threats	Pearson Correlation	0,375*	1
	Sig. (2-tailed)	0,024	
	N	54	54
*Correlation is significant at the 0.05 level (2-tailed).			

### c. SWOT Matrix

To formulate an alternative business strategy for SMEs of Bali Endek Weaving Craft, it is done by integrating the strengths and weaknesses they have with the opportunities and possible threats they face, which can be shown through the SWOT Matrix. The SWOT matrix can show alternative strategies, namely SO (Strength, Opportunity), WO (Weakness Opportunity), ST (Strengths Threats) and WT (Weakness Threats) strategies.

The results of the SWOT matrix analysis in this study can formulate 11 alternative business strategies for the Bali Endek Weaving Craft SMEs in situations facing the challenges of the Covid-19 pandemic as follows (see Table 8):

- (1) Increase promotion. Promotion is one part of the marketing mix program, which aims to disseminate information to consumers about products entering the market. This alternative strategy refers to the strengths and opportunities that exist (S1, S7, O2, O5, O6).
- (2) Development of existing product functions and features. The development of product functions and features is needed to expand the market and increase the number of sales. This strategy refers to the strengths and opportunities (S1, S3, O2, O3, O6).
- (3) Increase product usage. One of the most effective ways to penetrate the market is to increase the use of products by conducting marketing campaigns. If this campaign is effective in one place, more people will use it in that area. This alternative strategy is formulated referring to the existing strengths and opportunities (S1, S4, S5, S6, O2, O3, O6).
- (4) Market development strategies. This strategy sells existing products to new markets. New markets may be foreign markets, or domestic markets, or companies target

different segments for their products. This strategy refers to strengths and opportunities available (S1, S5, S7, O2, O5).

- (5) Maintain and improve product quality. Maintaining and improving product quality is one of the tactics to strengthen product competitiveness. This strategy refers to the existing strengths and threats (S1, S3, T1, T5,).
- (6) Develop new distribution channels. To ensure successful market penetration, it is necessary to know the right distribution channel to distribute the product effectively so that sales increase over time. This strategy refers to the existing strengths and threats (S4, S6, T6).
- (7) Design cooperation with suppliers of raw materials. Cooperation with suppliers is carried out by backward or forward integration, is an effort to obtain greater ownership or control over raw material distributors and product distributors. This strategy refers to the strengths and threats (S3, T5).
- (8) Conduct training for weaving workers. Training for workers has two interests, first is to maintain and improve the quality of work, and second is to motivate the surrounding community to love to weave. This strategy refers to the existing weaknesses and opportunities (W3, W4, W8, O1, O6).
- (9) Designing online sales. To penetrate the market more effectively and efficiently, currently sales can be designed through online methods by utilizing existing electronic media platforms. This strategy refers to the existing weaknesses and opportunities (W7, O3, O5 O6).
- (10) Design marketing cooperation with related sectors. The existence of Endek Bali Weaving Craft SMEs in the Bali Province area is very strategic and profitable because Bali as a tourism object is visited by domestic and foreign tourists. This strategy refers to the existing weaknesses and opportunities (W6, O1, O5).
- (11) Price adjustment. One strategy that is widely used for market penetration is price adjustment. A decrease in the price of a product or service can increase sales, however, the price does not always have to go down. This strategy refers to the existing weaknesses and threats (W5, T3, T5).



Table 8 SWOT Matrix

<div style="text-align: center; border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">INTERNAL FACTORS</div> <div style="text-align: center; border: 1px solid black; padding: 5px; width: fit-content; margin: 20px auto;">EXTERNAL FACTORS</div>	<p><b>Strength</b></p> <ol style="list-style-type: none"> <li>1. Products have a uniqueness based on local wisdom.</li> <li>2. Using traditional production tools, so that it is easy to maintain</li> <li>3. Raw materials use domestically produced products</li> <li>4. Grow and develop in tourism areas.</li> <li>5. Competitive prices, because product has a uniqueness.</li> <li>6. Cultural heritage has been protected by the Ministry of Law and Human Rights of the Republic of Indonesia,</li> <li>7. Active in exhibitions, as a promotional effort.</li> <li>8. Weaving is a traditional skill difficult to imitate</li> </ol>	<p><b>Weakness</b></p> <ol style="list-style-type: none"> <li>1. Still using traditional production system, it is difficult to increase production</li> <li>2. Product quality dependence on raw materials produced outside the region</li> <li>3. Regeneration of weavers is very slow.</li> <li>4. Untrained workforce.</li> <li>5. Prices are generally relatively expensive.</li> <li>6. Cooperation with the tourism sector to expand the market has not been maximized</li> <li>7. Craftsmen in general are not ready to do online marketing.</li> <li>8. Ability in business management is low.</li> </ol>
<p><b>Opportunity</b></p> <ol style="list-style-type: none"> <li>1. Get high attention from the government.</li> <li>2. There is a cooperation in promoting with the French Cristian Dior Fashion House.</li> <li>3. There is a Circular Letter from the Governor regarding the use of woven fabrics.</li> <li>4. The distribution channel system prefer is generally direct.</li> <li>5. Information technology allows to reach a wider market.</li> <li>6. Tourists like handicraft products based on culture</li> </ol>	<p><b>Alternative Strategy (SO)</b></p> <ol style="list-style-type: none"> <li>1. <i>Increase promotion (S1, S7, O2, O5, O6)</i></li> <li>2. <i>Development of product functions and styles (S1, S3, O2, O3, O6)</i></li> <li>3. <i>Increase product usage (S1, S4, S5, O2, O3, O6)</i></li> <li>4. <i>Market development (S1, S5, S6, S7, O2, O5, )</i></li> </ol>	<p><b>Alternative Strategy (WO)</b></p> <ol style="list-style-type: none"> <li>1. <i>Conduct training for weaving workers (w1, W3, W4, W7, O1, O6, )</i></li> <li>2. <i>Designing online marketing (W7, O3, O5 O6),</i></li> <li>3. <i>Designing marketing cooperation with related sectors (W6, O1, O5)</i></li> </ol>

Threats	Alternative Strategy (ST)	Alternative Strategy (WT)
1. The emergence of other products with the same pattern.	1. <i>Maintain and improve product quality (S1, S3, T1, T5,)</i>	1. <i>Make price adjustments (W5, T3, T5, )</i>
2. The difficulty of recruiting new craftsmen.	2. <i>Develop distribution channels (S4, S6, S7, T3, T6)</i>	
3. The economy has not yet recovered from the impact of the Covid-19 Pandemic.	3. <i>3. Designing cooperation with suppliers of raw materials (S3, T5)</i>	
4. Tourism has not recovered, impacting the craft sector.		
5. Unfair price competition.		
6. Lack of a special market for handicraft products in the region		

### **Decision Stage Base on QSPM approach**

According to David (2012), the QSPM matrix is an analytical technique designed to determine the relative attractiveness of alternative actions that can be carried out. Conceptually, QSPM determines the relative attractiveness of various strategies based on the extent to which external and internal critical success factors are utilized or improved. The relative attractiveness of each strategy is calculated by determining the cumulative impact of each of the internal and external critical success factors. QSPM is an approach to determine business strategy priorities in accordance with the current internal and external environmental conditions of the company.

The results of the QSPM analysis are compiled based on the SWOT matrix that has been prepared previously and 11 alternative business strategies can be formulated. The priority of business strategy based on relative attractiveness can be presented in Table 9.

Table 9 Alternative Strategies Based on QSPM Analysis

Code	Score	Alternative Strategy
ST1	6,5802	Maintain and improve product quality
ST2	6,5411	Develop distribution channels
WO1	6,4965	Conduct training for weaving workers
SO4	6,4706	Market development
SO2	6,4632	Product function and style development
SO1	6,2673	Increase promotion
WO2	6,1122	Designing online marketing

WO3	6,0619	Designing marketing cooperation with related sectors
SO3	5,9083	Increase product usage
WT1	5,8983	Make price adjustments
ST3	5,2171	Designing cooperation with raw material suppliers

## CONCLUSION

- The Input Stage shows that the Endek Weaving Craft SMEs allows it to grow even though it is facing the challenges of the Covid-19 Pandemic
- In the Matching Stage through the analysis of the IE Matrix the position of the Endek Bali Craft SMEs is in quadrant I, namely Grow and Build. Operationally, the general strategy that can be applied is an intensive strategy (market penetration, market development, and product development). At the matching level through SWOT Matrix analysis, 11 alternative strategies were formulated.
- The Decision Stage, the matrix used in this decision analysis is QSPM. The strategic decisions that can be taken based on the QSPM analysis are decisions ranging from very priority to non-priority.
- Correlative Interpretation SWOT Analysis, shows the opportunities that exist in the weaving SMEs market are potential, namely opportunities in general available to various weaving SMEs. While the threats are real, namely the specific threats faced by weaving SMEs.

## RECOMMENDATIONS

To be able to survive against the Covid-19 pandemic, it is recommended to implement a strategy with reference to the 11 alternative business strategies formulated in this study. Of the 11 alternative business strategies, there are at least 5 alternative business strategies that can be immediately implemented, namely, maintaining and improving product quality, developing distribution channels, conducting training for weaving workers, developing markets and developing product functions and styles. To provide more valid in the context of developing a SWOT analysis, it is hoped that the next researcher can repeat the research using the SWOT Correlative Interpretation approach.

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